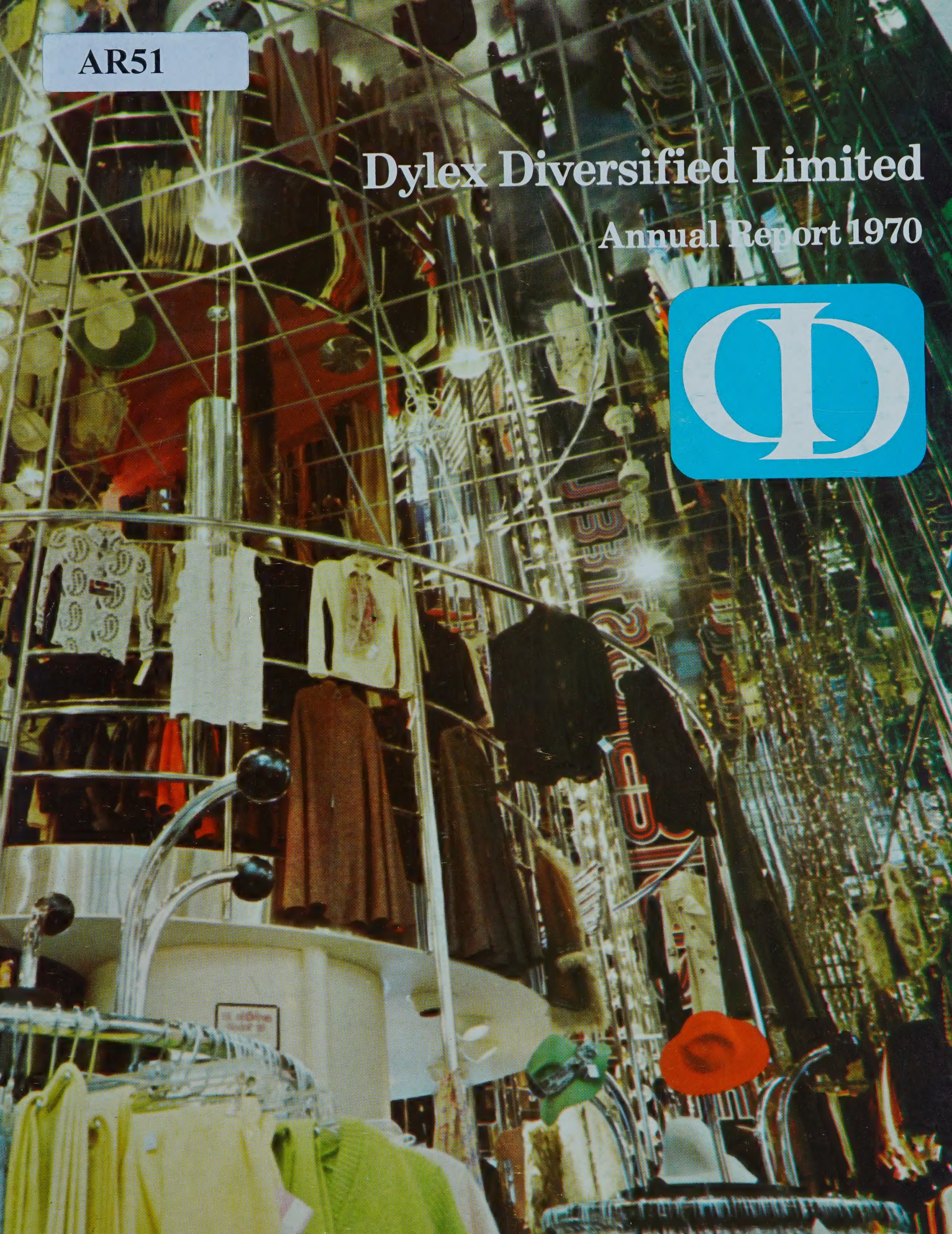
Dylex Diversified Limited

Annual Report 1970



Financial Highlights

	12 Months Ended January 31, 1970	February 1, 1969	January 27, 1968
	(Thousands of Dollars)		
Net Sales	**$77,292**	**$41,832**	**$26,568**
Earnings from Operations	**2,310**	**1,514**	**203**
Provision for Income Taxes	**1,202**	**802**	**108**
Earnings Before Extraordinary Items	**1,108**	**712**	**95**
Profit or (loss) on disposal of non-current assets	—	(60)	409
Reduction in tax from prior years' losses carried forward	107	755	94
Net Earnings for the Year	**$ 1,215**	**$ 1,407**	**$ 598**
Earnings Per Share*			
Earnings from Operations	$ 0.84	$ 0.82	$ 0.21
Earnings before Extraordinary items	$ 0.40	$ 0.39	$ 0.10
Net Earnings	$ 0.44	$ 0.76	$ 0.61

*Based on average number of shares outstanding.

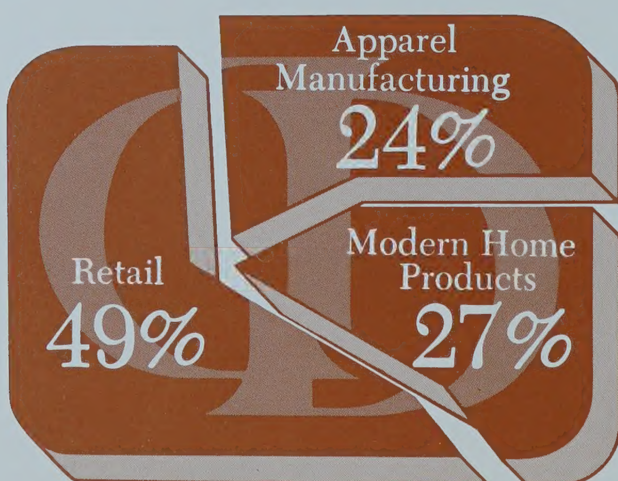
Sales by Groups

(for years ended January 31, 1970, February 1, 1969 and January 27, 1968)

	1970	1969	1968
	(Thousands of Dollars)		
Retail	**$43,000**	**$33,000**	**$29,000**
Apparel Manufacturing	**21,000**	**21,000**	**21,000**
Modern Home Products	**23,000**	**19,000**	**16,000**

Group sales and the chart are on a pooled interest basis and before eliminating inter-company sales.

1970 Sales



President's Report

To Our Shareholders:

Pre-tax profit increased 52 percent to $2,310,000 during the fiscal year ended January 31, 1970. As shown in the Financial Highlights on the opposite page, virtually full income taxes were paid, as compared with an almost tax-free position in the previous year. Net earnings were $1,215,000 or 44 cents per share.

Sales during this period increased 85 percent to $77,292,000, compared with $41,832,000 in the previous year.

The results for the 1970 fiscal year were achieved after absorbing the substantial costs of eliminating a number of departments in the retail operation and completely restyling others. The major refurbishing program in the retail group saw one-third of its stores closed for remodelling, disposition or replacement by new stores. While these changes have affected profits we believe the groundwork has been laid for a healthy and profitable company. Deferred expenses at year end are essentially unchanged from last year, with store conversion costs having been absorbed in the period under review.

A further temporary affect on profits resulted from the exceptional consolidation activity in other divisions that continued throughout the year. The company has, in fact, doubled the size of its operations in the year.

While many of the costs involved in these major programs were charged in our interim statements, the total effect of these costs resulted in a serious reduction in profits in the final quarter.

OPERATIONS

In our major activity — retailing — the company is in the second year of a five-year program to adjust its store pattern across the country to produce maximum sales and profit through our concept of the right kind of store in the right place. At year-end it had 112 stores, having added 19 and closed seven during the year.

The marketing scope of our Apparel Manufacturing Group was broadened with the acquisition of National Knitting Mills Limited, which added children's wear and knitted fabrics to our product lines. We are currently examining expansion of this group's adult fashions into both higher and lower price ranges not now produced.

The company's Modern Home Products Group entered new market areas through the addition of three divisions. It now offers an expanded range of home building, home furnishing and household products.

SUBSEQUENT TO YEAR-END

Since the end of the fiscal year, the company extended its children's wear operations when a team of six senior executives in the field joined Dylex and an old-established Montreal manufacturer, Manchester Children's Wear Co., was acquired. This expands the company's markets nationally and internationally and gives it a facility in the province of Quebec.

OUTLOOK

We expect higher sales and improved earnings in the current year although these may not begin to appear until the second half. Expectations, however, must be tempered with the realization that the company's rate of growth may be affected by economic conditions and government policies.

OUR PEOPLE

The company's success will continue to be based on the efforts of its people and I thank them for their diligence and support.

On behalf of the Board of Directors,

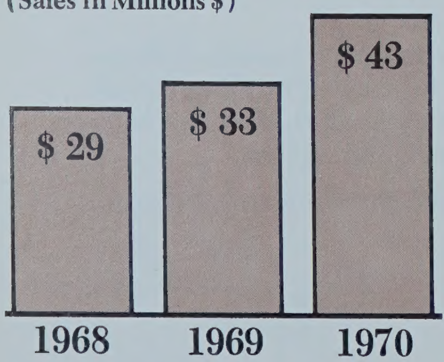
J. F. Kay

Toronto
April 6, 1970

James F. Kay,
President

Retailing

Retailing
(Sales in Millions $)



Based on pooling of interest and before elimination of inter-company sales.

Women's Fashions

The excitement of high fashion merchandising brought to the Dylex Group with the Fashion Council stores it acquired has been successfully injected into the higher volume Fairweather Stores. These are now operated as part of Fashion Council.

A major innovation was the opening of the first four Big Steel boutiques, which feature avant-garde fashions for the 15 to 25-year-olds. These were not only immediately successful in their own right, but also brought higher traffic and sales to the other departments of the Fairweather stores in which they were placed.

Merchandising changes in Fairweather stores — aimed at the middle income group with a more youthful and glamorous appeal — has produced a significant rise in sales per square foot, an imporant measure of a store's success. Two new stores were opened in excellent locations and four older stores were phased out and converted to our Family Fair concept. We expect to open five Fairweather stores this year and close three, with a total of 32 stores at the end of the current fiscal year.

Men's Wear

Tip Top's 62 stores across the country, which formerly concentrated largely on ready-to-wear and made-to-measure suits, were transformed with the infusion of many stylish lines in ties, shirts, neckwear and other articles of men's wear. Key to the change is the concept of co-ordinating merchandise so that the stores offer complete packages — or "identity kits." This has already brought increased traffic and sales.

The division, under the leadership of its new management team, is continuing to upgrade its merchandise and is working with a number of Canadian manufacturers to meet its objective of offering fashion with value to the 25-45 age group. It is supplementing its Canadian lines with imports from several European countries.

Tip Top stores are rapidly becoming known as places to see. Most are in excellent locations, but changes have been made to get some of the stores into still higher traffic flow areas and to provide larger store sizes. In the fiscal year six new stores were opened and five closed.

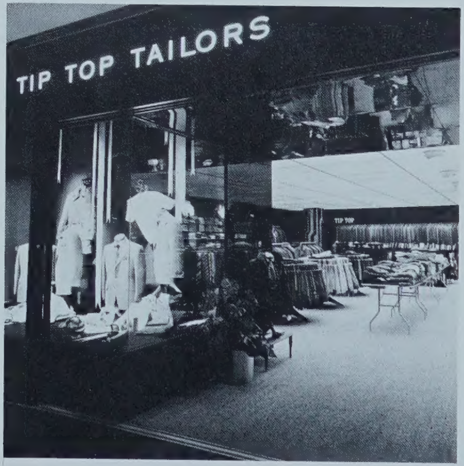
A second Harry Rosen store was opened at Yorkdale Plaza in Metro Toronto. These style-setting stores are aimed at the higher spending customer—the young executive and professional. A third will be opened this year in Fairview Plaza in Toronto which will offer somewhat more contemporary styles for casual wear.

Family Stores

Our junior family department store chain, Family Fair, has benefited from introduction of central buying, advertising and direction. With the expansion of the chain and

The Fashion Council group of stores highlight women's fashions with youthful and glamorous appeal for the middle income group.

Tip Top stores have become known as the place to find fashion with value for the younger man — stylish suits and sportswear and a full line of co-ordinated accessories.



its strengthened buying power it is able to offer excellent quality low-priced clothing with a real fashion look for the whole family. Tight markups are attained by the central buying policy, rigid control of costs and location in competitive rental plazas.

The chain added Sandy's Department Store in Peterborough during the year and opened three new Family Fair stores. At the year-end it had nine stores. The trend now is to establishing much larger stores and the four scheduled for opening in 1970 will each be about two and a half times larger than existing stores.

Beauty Aid

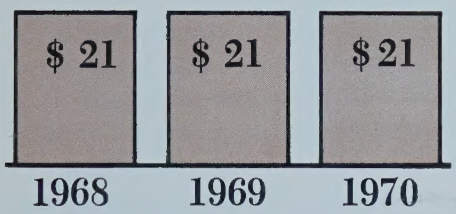
Valu Fair, a group of seven health and beauty aid stores, were acquired in 1969. Since this acquisition the division has added 11 Valu Fair stores. Some of these are operated as lease departments in Family Fair stores.

Five new Valu Fair stores or leased departments are planned for 1970 opening.

Results of these stores have been satisfactory.

Apparel Manufacturing

Apparel Manufacturing
(Sales in Millions $)



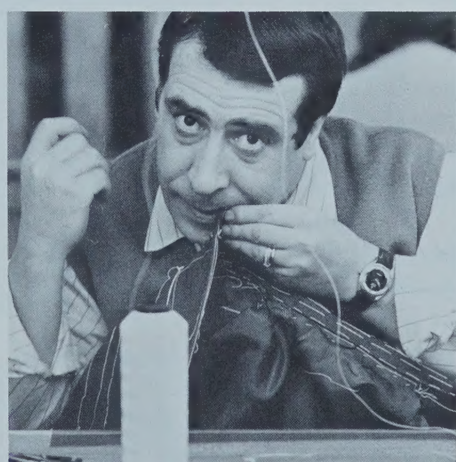
Based on pooling of interest and before elimination of inter-company sales.

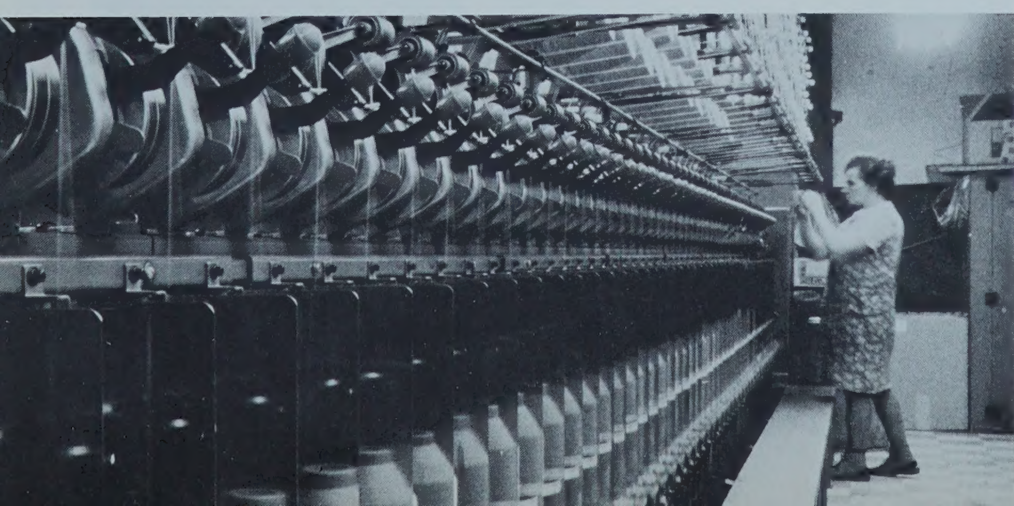
National Knitting Mills Limited, Canada's largest manufacturer of children's knitwear, which joined Dylex during the year, is broadening its lines to enable it to take advantage of the market position of the company's other clothing divisions.

Major emphasis in the group is being placed on expanding sales in the U.S. and an international marketing division was set up during the year. The group's boutique and children's and junior coat divisions have had an excellent reception from a number of major U.S. retailers.

The leather clothing and pile fabric coat operations were expanded.

Canadian Clothiers amalgamated its two factories with a resulting increase in efficiency and a higher quality product in both made-to-measure and ready-to-wear men's suit departments.





Fine craftsmanship and personal skills add special touches to fashions from the company's apparel manufacturing divisions.

Spinning machine in action at recently acquired National Knitting Mills.

Modern Home Products

Cadillac Building Products Company, a major manufacturer of finished and semi-finished assemblies which joined Dylex during the year, is expected to become a strong growth division. With a factory in Maple, Ontario, it has already set a promising trend with its established products such as assembled joists, doors and frames, windows, parquet flooring and other requirements for the builder-developer.

The division plans to enter a market with exciting possibilities when it offers panel assemblies containing all that is required to erect a complete single-family home in one day. Only the footings and outer skin will be provided by the builder through whom these houses will be sold. Cadillac foresees strong demand from builder-developers wherever land costs permit single-family homes.

Dylex also moved into a major segment of the furniture manufacturing industry with the acquisition of Troister & Company Limited, a manufacturer of upholstered furniture, and of the Emanuel companies, makers of case goods, cabinetry and furniture. These companies fit the broad marketing concept of the group.

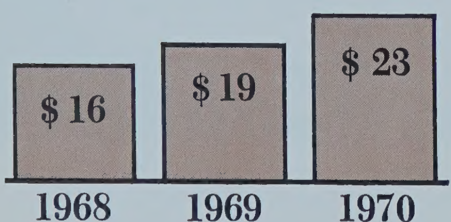
Singer Lighting has expanded its many lines of lamps and is now also producing wall accessories such as decorative panels, mirrors, etc.

The group has developed a careful long-range strategy for its home furnishings merchandising. All three divisions — Singer, Troister and Emanuel — are established in their fields. All are in the popular and medium price area which represents about 60 percent of the market. The group will expand from this base into the higher and prestige priced areas. It will also expand into some lower priced merchandise, but will not enter the lowest priced mass-production market.

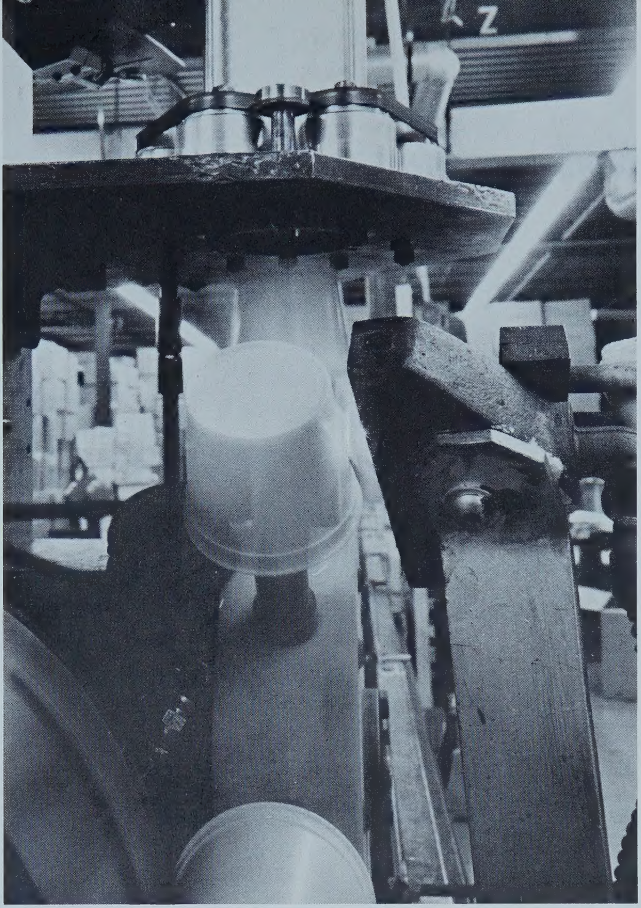
The company has already made a move into the high-price luxury market with formation of Artâge International, a distributor of luxury class home furnishings and of contract class office furniture. Artâge, which participated in its first major show early in 1970, aims at significant sales in the United States.

The Packaging and Household Products divisions continued to deepen penetration of their markets, particularly with plastics-based products. Factory space was more than doubled last June and the plant is now working at its increased capacity. The divisions plan to continue to exploit their success in consumer and home-oriented products such as food containers, polyethylene film used in home-building and other construction, garbage bags and the well-known Kurly Kate household aids. Opportunities for the expanding use of these and similar products in everyday life are being actively researched.

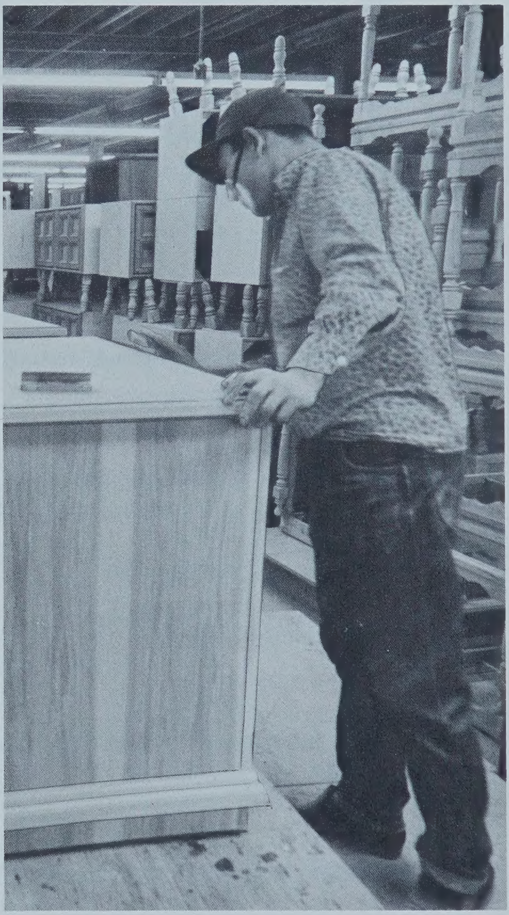
Modern Home Products
(Sales in Millions $)



Based on pooling of interest and before elimination of inter-company sales.



The company's home products range from plastic food containers to prepainted home-building products and include household aids by Kurly Kate, furniture by Troister and Artâge International, lamps by Singer and home entertainment centre cabinets by Emanuel.



Dylex Diversified Limited and Subsidiary Companies

Consolidated Statement of Earnings

	12 Months Ended January 31, 1970	6 Months Ended February 1, 1969 (note 3)
	(Thousands of Dollars)	
Net sales	$77,292	$23,977
Earnings from operations before deducting the undernoted items	4,130	1,837
Remuneration of directors, as directors, officers or employees	260	142
Depreciation and amortization	791	253
Amortization of deferred charges	104	45
Interest on long term debt	330	177
Other interest	381	133
	1,866	750
	2,264	1,087
Share of earnings of non-consolidated subsidiaries and affiliates (note 1)	46	10
Net earnings from operations	2,310	1,097
Provision for income taxes	1,202	529
Net earnings before extraordinary items	1,108	568
Income tax reductions realized due to prior years' losses (note 3)	107	479
Net earnings for the period	$ 1,215	$ 1,047
Net earnings per share* — before extraordinary items	$ 0.40	$ 0.28
— for the period	$ 0.44	$ 0.52
	(12 mos.)	(6 mos.)

*Based on the average common and class "A" shares outstanding.

Consolidated Statement of Retained Earnings

	12 Months Ended January 31, 1970	6 Months Ended February 1, 1969 (note 3)
	(Thousands of Dollars)	
Retained earnings at beginning of period	$ 4,699	$ 3,693
Add: Net earnings for the period	1,215	1,047
Transfer from appraisal excess (note 6)	56	—
	5,970	4,740
Less: Prior years' income tax adjustments	70	41
Dividends — class "A" preference shares	45	—
	115	41
Retained earnings at end of period	$ 5,855	$ 4,699

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Source and Application of Funds

	12 Months Ended January 31, 1970	6 Months Ended February 1, 1969 (note 3)
	(Thousands of Dollars)	
SOURCE OF FUNDS		
Net earnings for the period	$ 1,215	$ 1,047
Charges not involving cash outlay:		
Depreciation and amortization	895	298
Other	(63)	(2)
Funds generated from operations	2,047	1,343
Disposal of fixed assets	257	358
Reduction in mortgages and other investments	66	37
Increase in long term debt	1,765	1,870
Convertible debenture proceeds (note 9)	1,500	—
Issue of capital stock	4,832	10,866
	10,467	14,474
APPLICATION OF FUNDS		
Prior years' taxes	70	(15)
Additions to fixed assets	5,599	1,188
Increase in investments and loans receivable	564	11
Increase in excess of assets acquired over book values (note 7)	6,897	3,548
Increase in deferred charges	112	129
Reduction in long term debt	658	1,524
Payment of dividends	45	—
	13,945	6,385
INCREASE (DECREASE) IN WORKING CAPITAL	($ 3,478)	$ 8,089
Working capital at end of period	$10,019	$13,497
Working capital at beginning of period	13,497	5,408
	($ 3,478)	$ 8,089

Auditors' Report

To the Shareholders of
Dylex Diversified Limited

We have examined the consolidated balance sheet of Dylex Diversified Limited as at January 31, 1970 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination of the financial statements of Dylex Diversified Limited, and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at January 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
March 31, 1970

WM. EISENBERG & CO.
Chartered Accountants

Dylex Diversified Limited and Subsidiary Companies

Consolidated Balance Sheet as at January 31, 1970

ASSETS

	January 31, 1970	February 1, 1969
	(Thousands of Dollars)	
CURRENT ASSETS		
Cash	$ 79	$ 267
Deposit certificates	—	505
Marketable securities (market value 1970 - $19,000)	31	36
Accounts receivable — trade	6,865	4,439
— other	150	—
Inventories (note 4)	18,889	12,200
Prepaid expenses	504	252
Advances to wholly-owned acceptance company (note 1)	200	2,208
	26,718	19,907
INVESTMENTS AND LOANS RECEIVABLE		
Investment in non-consolidated subsidiary companies (note 1)	68	2
Investment in affiliated companies (note 1)	54	—
Mortgages and other investments — at cost	116	64
Advances to non-consolidated subsidiary companies (note 1)	43	—
Advances to affiliated companies (note 1)	301	—
Advances to key employees to purchase shares (note 5)	1,408	1,192
	1,990	1,258
FIXED ASSETS		
Land (note 6)	1,572	1,151
Buildings (note 6)	3,608	2,745
Machinery, equipment and leasehold improvements — at cost	12,659	7,385
	17,839	11,281
Less: Accumulated depreciation	6,690	4,691
	11,149	6,590
OTHER ASSETS		
Excess of cost of assets acquired over book values (note 7)	14,638	7,741
Deferred charges at cost less amortization	140	133
	14,778	7,874
	$54,635	$35,629

The accompanying notes are an integral part of the financial statements.

LIABILITIES

	January 31, 1970	February 1, 1969
	(Thousands of Dollars)	
CURRENT LIABILITIES		
Bank indebtedness (note 8)	$ 3,013	$ 959
Banker's acceptances	3,000	—
Accounts payable and accrued liabilities	9,228	4,214
Taxes payable	984	348
Long term liabilities due within one year	474	889
	16,699	6,410
LONG TERM LIABILITIES		
Notes payable (note 9)	2,245	1,580
Mortgages payable (note 9)	2,385	1,943
Convertible debenture payable (note 9)	1,500	—
Bank loan — key employee stock plan (note 5)	1,380	1,192
	7,510	4,715
DEFERRED INCOME TAXES (Note 10)	47	57

SHAREHOLDERS' EQUITY

	January 31, 1970	February 1, 1969
CAPITAL STOCK		
Authorized		
3,000,000 common shares without par value		
10,000,000 class "A" participating preference shares without par value		
1,000 class "B" non-participating preference shares without par value		
Issued and Fully Paid (note 11)		
463,210 common shares	1,949	1,952
2,407,073 class "A" shares	20,742	15,907
EXCESS of appraised value of fixed assets over cost (note 6)	1,833	1,889
RETAINED EARNINGS	5,855	4,699
	30,379	24,447
	$54,635	$35,629

APPROVED ON BEHALF OF THE BOARD

J. F. KAY, Director W. POSLUNS, Director

Dylex Diversified Limited and Subsidiary Companies

Notes to Consolidated Financial Statements

1. Principles of Consolidation. The consolidated financial statements include the accounts of the following wholly-owned subsidiary companies:

Ackron Plastics Limited
Bradford Spinners Limited
Emanuel Enterprises Limited
Emanuel Products Limited
The Family Fair Stores Limited
The Fashion Council group of Corporations
Hareve Leasehold Investments Limited
Macsam Investments Limited
National Knitting Mills Company Limited
The Pines Drugs Limited
Plasti-Pak Containers Limited
Harry Rosen Men's Wear Limited
Troister & Company Limited

The consolidated financial statements do not include the accounts of Dylex Acceptance Corporation Limited, a wholly-owned finance company which is not consolidated because of the different nature of its business, and a minor subsidiary in which the Company owns 51% of the shares. The investment in these subsidiaries and in affiliates is carried on the consolidated balance sheet at cost plus the Company's share of undistributed net earnings since acquisition.

2. Change of Name. On May 6, 1969 supplementary letters patent were obtained, changing the corporate name of the Company from Dylex Diversified (1967) Ltd. to Dylex Diversified Limited.

3. Comparative Statements. Comparative earnings statements include earnings for the 6 months ended February 1, 1969. This 6-month period resulted from a change in the Company's fiscal year end from the Saturday closest to July 31 to the Saturday closest to January 31, effective February 1, 1969. The earnings statement for the prior period has been reclassified to conform to the current accounting treatment of the provision for income taxes.

4. Inventories. The inventories are valued at the lower of cost or net realizable value except for retail lines not manufactured by the Company which are valued at lower of cost or net realizable value less normal profit margins.

5. Key Employee Stock Plan. 75,000 common shares and 100,000 class "A" participating preference shares have been allocated to the trustees of the Company's key employee stock plan to be issued to full time key employees of the Company at a price not exceeding a 15% discount from market at the time of allotment. As at January 31, 1970, 75,000 common shares and 24,283 class "A" participating preference shares have been issued to key employees, the class "A" preference shares having been issued during the current period. To facilitate the purchase of these shares by key employees, the Company has borrowed from its bankers $1,380,000 as at January 31, 1970 to be repaid over a period not exceeding ten years.

6. Property Appraisal. On December 29, 1967, the property at 637 Lakeshore Boulevard West, Toronto, was appraised by W. H. Bosley & Co. Ltd. at a value of $2,750,000. As a result of this appraisal, the value of this property has been increased resulting in an excess of appraised value over depreciated cost of $1,889,000. The appraisal excess applicable to the building is being transferred to retained earnings in amounts equal to the realization of appreciation through depreciation provisions.

7. Acquisitions. The following acquisitions were completed during the year ended January 31, 1970:

The purchase of all the issued shares of Macsam Investments Limited, National Knitting Mills Company Limited, Bradford Spinners Limited, The Pines Drugs Limited, Emanuel Products Limited, Emanuel Enterprises Limited, and Troister & Company Limited.

The purchase of all the assets and undertakings and assumption of the liabilities of Sandy's Department Store and Cadillac Lumber and Building Products Limited.

The purchase of 50% of the issued shares of Brody's Town & Country (1967) Limited.

These acquisitions have resulted in an increase in the excess of cost of assets acquired over book values amounting to $6,897,000 during the year ended January 31, 1970.

8. Bank Indebtedness. This amount is secured by a general assignment of book debts and inventories.

9. Long Term Debt.

Notes payable	
7% subordinated promissory notes, final payment due December 27, 1971	$1,060,000
8% promissory note, final payment due March 1, 1979	673,000
Other notes (secured $34,806)	512,000
	$2,245,000
Mortgages payable	
9¼% first mortgage, final payment due October 15, 1973	$1,772,000
8% first mortgage, final payment due June 23, 1975	500,000
Other mortgages	113,000
	$2,385,000
Convertible debenture payable, no interest, due July 2, 1974, secured by pledge of all the issued and outstanding shares of National Knitting Mills Company Limited and Bradford Spinners Limited. These debentures are convertible into an aggregate of 50,000 class "A" preference shares	$1,500,000

10. Deferred Income Taxes. Deferred income taxes have been provided in respect of depreciation claimed for income tax purposes in excess of amounts recorded in the accounts .... $ 317,000

Less: Income tax benefits which are expected to be realized in future years by carrying forward losses of certain subsidiaries and thereby reduce future taxable income. These income tax benefits are contingent on earning future profits against which losses may be applied. In the view of management, it is virtually certain that these benefits will be realized and the reduction of future income taxes has been recorded in the period when the loss was incurred 270,000

$ 47,000

11. Change in Capital Stock.

	Issued	
Common Shares		
Balance, February 1, 1969	464,000	$ 1,952,000
Less: Conversion to class "A" preference shares	790	3,000
Balance, January 31, 1970	463,210	$ 1,949,000
Class "A" Preference Shares	Issued	
Balance, February 1, 1969	2,142,000	$15,907,000
Acquisitions (note 7)	240,000	4,455,000
Key employee stock plan (note 5)	24,283	377,000
Conversion of common shares	790	3,000
	2,407,073	$20,742,000

12. Long Term Leases. The minimum annual rentals on all leased property and equipment amount to approximately $2,492,000 exclusive of occupancy charges and additional rent payable on percentage of sales.

The total minimum rentals payable after January 31, 1975 are approximately $10,016,000.

13. Remuneration of Directors and Officers. Directors, as such, received no remuneration. The aggregate remuneration paid to 27 senior officers as defined by The Securities Act, 1966 (Ontario), including the executive officers, amounted to $716,000.

14. Contingent Liabilities. The company is contingently liable as guarantor of loans of $4,100,000 to Dylex Acceptance Corporation Limited.

The Company is the defendant in two court actions for damages amounting to a total of $140,000. In the opinion of the Company's solicitors, these claims are without merit.

EVENTS SUBSEQUENT TO YEAR END

1. The Company has acquired all the issued and outstanding shares of Manchester Children's Wear Co.
2. The Company has purchased property on Carlaw Avenue, Toronto, for $1,055,000 payable $200,000 in cash and the assumption of a first mortgage of $855,000 at 9%, due in four years.

DIRECTORS
L. H. Posluns
J. F. Kay
W. Posluns
I. Posluns
J. Posluns
S. F. Kay
D. Korn
L. Weinberg
A. H. Zaldin, Q.C.
H. J. Stitt

EXECUTIVE OFFICERS
L. H. Posluns, Chairman of the Board
J. F. Kay, President
I. Posluns, Executive Vice-President
J. Posluns, Executive Vice-President
W. Posluns, Secretary and Treasurer

TRANSFER AGENT
National Trust Company, Limited

REGISTRAR
Canada Permanent Trust Company

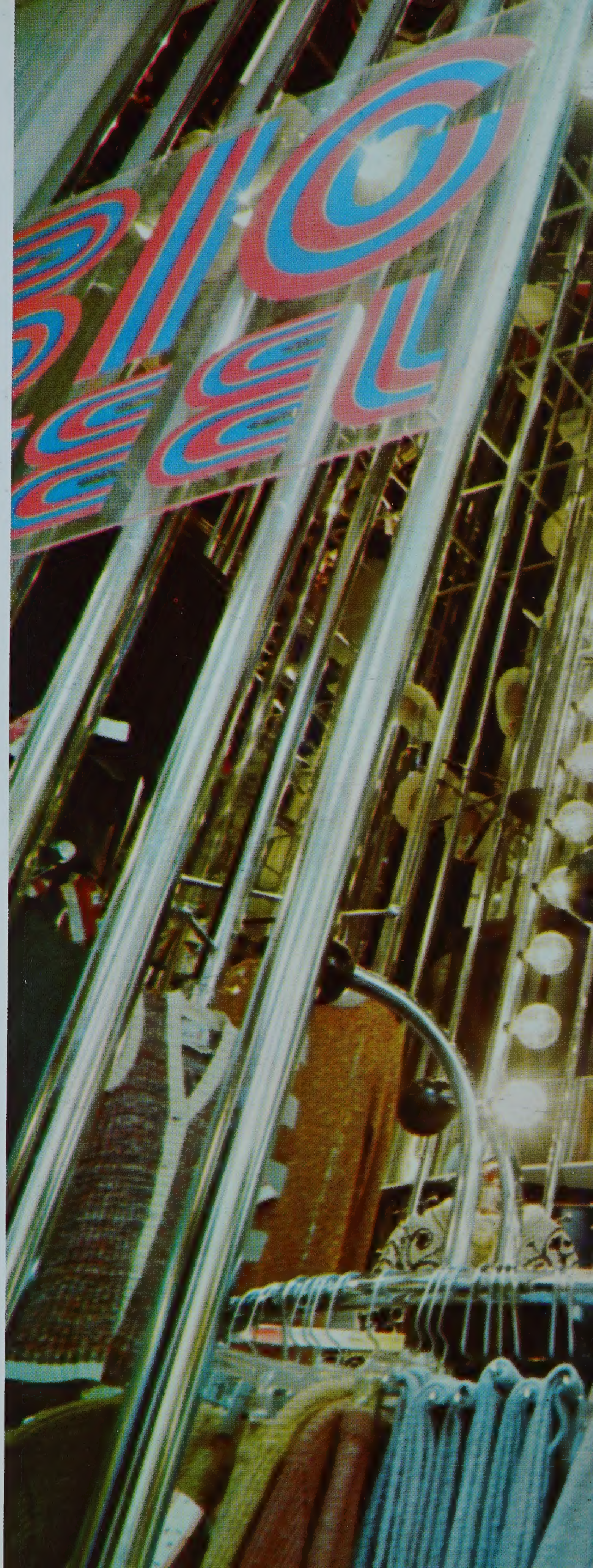
AUDITORS
Wm. Eisenberg & Co., Chartered Accountants

BANKERS
Bank of Montreal

LISTED ON
Toronto Stock Exchange

HEAD OFFICE
637 Lake Shore Boulevard West, Toronto, Canada.

Big Steel boutiques, located in several of the company's Fairweather stores, feature avant-garde fashions for 15 to 25-year-olds.



Dylex Diversified Limited
637 Lake Shore Boulevard West, Toronto, Canada.

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DYLEX DIVERSIFIED LIMITED

637 LAKE SHORE BOULEVARD WEST
TORONTO, ONTARIO

DYLEX DIVERSIFIED LIMITED

Interim Report to Shareholders
six months ended August 1, 1970

DYLEX DIVERSIFIED LIMITED

Report to Shareholders

Sales for the first six months of the 1971 fiscal year were $39,100,000 compared with $33,700,000 in the same period last year. The increase is due principally to the inclusion for the full period of companies acquired last year.

As predicted earlier, the economic slowdown had an unfavourable effect on results. Earnings from operations before depreciation and interest were $1,610,000 compared with $1,968,000 a year ago. Higher interest and depreciation costs reduced net earnings to $218,000 or 8 cents per share from $757,000 or 28 cents per share last year.

Ten stores have been opened by the Tip Top, Fashion Council and Family Fair divisions recently. The Tip Top and Fashion Council stores are located in prime shopping centres including the recently opened Southgate Plaza in Edmonton and Fairview Mall in Toronto.

The seasonal nature of many of our divisions results in higher sales and earnings during the second six-month period.

James F. Kay
President

September 25, 1970

CONSOLIDATED STATEMENT OF EARNINGS

(Unaudited)

	For the Six Months Ended	
	August 1, 1970	August 2, 1969
	($'000)	
Net sales	39,170	33,661
Earnings from operations before depreciation	1,610	1,968
Depreciation & amortization	609	351
Interest on debt	630	310
Earnings before income taxes	371	1,307
Provision for income taxes	197	693
	174	614
Equity in earnings of associated and subsidiary companies	44	15
Earnings before extraordinary items	218	629
Reduction in tax from prior years' losses carried forward	–	128
Net earnings for the period	218	757
Earnings per share –		
Before extraordinary items	$0.08	$0.23
For the period	$0.08	$0.28

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	For the Six Months Ended	
	August 1, 1970	August 2, 1969
	($'000)	
SOURCE OF FUNDS		
Funds from operations	818	1,466
Reduction in investments and loans	44	18
Sale of fixed assets	125	99
Increase in long term debt	1,005	3,214
Issue of capital stock	–	4,025
	1,992	8,822
APPLICATION OF FUNDS		
Dividends	–	21
Additions to investments and loans	54	161
Purchase of fixed assets	2,560	3,420
Reduction in long term debt	119	25
Increase in other assets	196	270
Excess of assets acquired over book values	65	6,520
	2,994	10,417
Decrease in Working Capital	(1,002)	(1,595)
Working Capital at End of Period	9,017	11,902